

## Executive Summary

EXHIBIT 7

DATE 3/23/11

HB 616

### Introduction

Each reappraisal cycle, the Governor is mandated by law to select an advisory committee to recommend new agricultural land values to the Department of Revenue. In May 2006, Governor Brian Schweitzer appointed twelve Montanans to evaluate and propose valuation schedules that will be implemented January 1, 2009 and remain in effect until December 31, 2014.

#### *Governor's Advisory Committee*

*Jerry Nielsen, Chair*

*Mel Goffena*

*Jim Johnson*

*Al Kington*

*John Lawyer*

*Buck O'Brien*

*Rhonda Pimley*

*Ernie Ratzburg*

*John Schutter*

*Helen (Jo) Shipman*

*Kathy Sikorski*

*Lon Withrow*

Committee members represent a cross-section of farm and ranch operations and are knowledgeable of different farm and ranch practices, farm policy and agricultural land values.

The initial activity of the Committee focused on the use of a two class agricultural system. The two classes would be farm land and grazing land. After more detailed analysis indicated a shift in tax liability from one existing class of agricultural land to the other classes of agricultural land, the Committee chose to continue with the current system. The Committee reviewed all five agricultural land classifications. Each of the five agricultural classifications will see land valuation changes. The class of agricultural land identified as Non-irrigated Continuously Cropped Farm Land will see a decrease in statewide value due to the reduction in the number of acres identified as Continuously Cropped Farm Land. When compared to the current appraisal cycle, the other four classes of agricultural land will see increases between 20.72% (grazing land) and 154.27% (irrigated land) as a result of the reappraisal. The change to irrigated land values will be reduced as landowners provide the Department with the allowable energy cost information for their land and as the Department gathers information on the application of water on irrigated land. These changes are due to the identification of the correct land use classification of the land, changes to the productivity of the land under that identified use, increases in the market price for the base crops and private grazing leases used in the valuation process.

Agricultural taxpayers who see an increase in land valuation will have those increased values phased-in incrementally over the six-year reappraisal cycle. Some taxpayers with agricultural land will see decreases in land valuation due to recommendations made by the committee. Any decrease in land valuation will be fully implemented in 2009 and these decreased values will not change from 2009 through 2014. The 2009 agricultural valuation will not be fully implemented until 2014.